

ORIGINAL

Attorney or Party Name, Address, Telephone & FAX Numbers, and California State Bar Number

Daniel A. Lev (CA Bar No. 129622)

SulmeyerKupetz

333 South Hope Avenue, 35th Floor

Los Angeles, CA 90071

PH: 213.626.2311; FAX: 213.629.4520

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CLERK U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY: Deputy Clerk

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA**

In re:

MORWEAR MANUFACTURING, INC.

Debtor(s).

CASE NO. 2:05-bk-27443-EC

CHAPTER 7

NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: May 7, 2008

Time: 1:30 p.m.

Location: 255 East Temple Street, Los Angeles, CA 90012, Courtroom 1679

Type of Sale: ☒ Public

☐ Private

Last date to file objections: April 23, 2008

Description of Property to be Sold: See Attachment

Terms and Conditions of Sale: See Attachment

Proposed Sale Price: See Attachment

Overbid Procedure (If Any): See Attachment

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

Contact Person for Potential Bidders (include name, address, telephone, fax and/or e-mail address):

Daniel A. Lev, Esq.

SulmeyerKupetz, A Professional Corporation

333 South Hope Street, 35th Floor

Los Angeles, California 90071

Tel: 213.626.2311

Date: April 8, 2008

ATTACHMENT TO NOTICE OF SALE OF ESTATE PROPERTY

Description of Property to be Sold: The estate's right, title and interest in and to certain assets of Morwear Manufacturing, Inc., a Delaware corporation ("Morwear" or the "Debtor"), described as follows:

A. Illinois Union D&O Policy Claims

Eric Von Knipe and Shirley Wiliani, defendants in a certain adversary proceeding commenced by the Chapter 7 Trustee styled David K. Gottlieb, Chapter 7 Trustee v. Eric Von Knipe, et al., bearing Adv. No. LA 05-02275-EC (the "Adversary Proceeding"), deny liability in the Adversary Proceeding and have each incurred significant fees and costs to defend themselves. Eric Von Knipe and Shirley Wiliani further allege that each is entitled to indemnification by and from Illinois Union Insurance Company ("Illinois Union") that had issued a Directors' and Officers' Liability Policy to the Debtor prior to the petition date, for a policy year from March 29, 2005 to March 29, 2006 (the "D&O Policy"). Illinois Union has refused coverage under the D&O Policy, has not paid or reimbursed any defense costs and has not indicated to Eric Von Knipe or Shirley Wiliani or to the Trustee that it would satisfy the liability of Eric Von Knipe or Shirley Wiliani in or in connection with the Adversary Proceeding. Illinois Union has informed Eric Von Knipe that it cancelled the D&O Policy on or about August 10, 2005 based on commencement of the Bankruptcy Case. The Trustee, Eric Von Knipe and Shirley Wiliani contend cancellation of the D&O Policy was not effective. Claims against Illinois Union, under the D&O Policy, or in tort, are referred to herein as the "D&O Claims".

B. Raabe Parties Claims

Eric Von Knipe contends that the Von Knipe Parties (consisting of Eric Von Knipe, X2, Inc. and Moldwash U.S.A., Inc.) and the estate have rights of action against Dieter Raabe and/or the Raabe Parties (consisting of various entities, all of whom are affiliated with Dieter Raabe, including, but not limited to, Dieter Raabe, Sue Wong, Drake Investments, Inc., Studio S, Inc., Diversified Coatings, Inc., Montaly, Ltd., Asia Coatings, Inc. and any other corporation, partnership or business entity in which any of the Raabe Parties has a direct or indirect ownership interest, or over which Dieter Raabe has control or influence). Claims against the Raabe Parties are referred to herein as the "Raabe Parties Claims".

Method of Sale: Offers subject to overbid.

Sale Description: Date of Sale: May 2, 2008, 1:30 p.m. (subject to continuances)
Place: 255 East Temple Street, Courtroom "1639", Los Angeles,
CA 90012

Offers Received From Von Knipe Parties: (i) \$50,000 for D&O Claims and (ii) \$275,000 for Raabe Parties Claims

Overbid Terms: The sale will be on an "as is" and "where is" basis without any representations and/or warranties whatsoever, subject to Bankruptcy Court approval. Each party (except the Von Knipe Parties, as the proposed buyers) who wishes to participate in the overbid process must comply with the following overbid criteria: Any party interested in acquiring the estate's rights under the D&O Claims and/or the Raabe Parties Claims must pre-qualify by providing evidence of financial wherewithal and: (i) if the party is interested in bidding for the D&O Claims, by delivering cash or a cashier's check to the Trustee in an amount equal to Six Thousand Dollars and Zero Cents (\$6,000.00) no later than seven (7) days prior to the hearing scheduled herein; and/or (ii) if the party is interested in bidding for the Raabe Parties Claims, by delivering cash or a cashier's check to the Trustee in an amount equal to Twenty Eight Thousand Five Hundred Dollars and Zero Cents (\$28,500.00) no later than seven (7) days prior to the hearing scheduled herein. Bidding will be conducted at the time of the hearing to consider approval of the settlement at the Bankruptcy Court. No overbid will be accepted if it is in an increment less than Ten Thousand Dollars and Zero Cents (\$10,000.00) higher than the immediately preceding bid with the consideration allocated above deemed to be the opening bid. In addition, the estate shall be entitled to twenty-five percent (25%) of any net recovery obtained on account of the D&O Claims.

Contact Name: Daniel A. Lev, Esq.
Contact Number: (213) 626-2311
Case Name: In re Morwear Manufacturing, Inc.
Case Number: LA 05-27443-EC